



0000204280

BEFORE THE ARIZONA CORPORATION COMMISSION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

LEA MÁRQUEZ PETERSON
Chairwoman
SANDRA D. KENNEDY
Commissioner
JUSTIN OLSON
Commissioner
ANNA TOVAR
Commissioner
JIM O'CONNOR
Commissioner

Arizona Corporation Commission

DOCKETED

JUL 28 2021

DOCKETED BY

ls

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR APPROVAL OF ITS 2020
RENEWABLE ENERGY STANDARD
IMPLEMENTATION PLAN FOR RESET OF
RENEWABLE ENERGY ADJUSTOR.

DOCKET NO. E-01345A-19-0148

DECISION NO. 78165

ORDER

ARIZONA PUBLIC SERVICE
COMPANY'S REVISED REQUEST FOR
EXTENSION OF TIME

Open Meeting
July 13 and 14, 2021
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Background

1. On March 16, 2021, Arizona Public Service Company ("APS" or "Company") filed with the Arizona Corporation Commission ("Commission") an application requesting an extension of the deadline to file its proposed distributed demand-side resource aggregation tariff ("DDSR Aggregation Tariff") to May 1, 2022.

2. Decision No. 77762 (October 2, 2020) required APS to file a proposed DDSR Aggregation Tariff, which should permit the aggregation of distributed demand-side resources. Decision No. 77855 (December 31, 2020) required APS to file the tariff by April 1, 2021. At the March 23, 2021, Open Meeting, the Commission voted to extend the deadline to May 1, 2021. APS's revised request asks for an additional year to file the tariff.

3. APS intended to file a status report on April 1, 2021, that would provide greater detail on its research, outline an additional pay for performance component for the Residential Energy

1 Storage Pilot, and describe an all-DDSR Request for Proposal (“RFP”) to be issued in the second
2 quarter of 2021. The RFP would provide information on technologies and market costs to support
3 the tariff evaluation and valuation process.

4 4. APS states that the time extension is required due to the complexity of designing the
5 tariff and the necessity of gaining accurate and complete input from stakeholders. APS has engaged
6 with Energy and Environmental Economics (“E3”) and Guidehouse to support the Company in
7 designing the tariff and performing the valuation analysis.

8 5. At the DDSR Aggregation Tariff Stakeholder Meeting held by APS on March 29,
9 2021, stakeholders were asked about the proposed one-year extension, and no stakeholder in
10 attendance objected to the request. Some stakeholders stated that “getting it [the tariff] right is more
11 important than speed.” The proposed extension may be used by the Company to solicit more
12 opinions and research from stakeholders and the wider market.

13 6. The Company reports that timelines for developing similar tariffs in other states
14 usually involved two to five years of planning and testing before implementation, with tariffs often
15 being specific to a single technology. The Company also reports that it will continue to hold monthly
16 meetings with stakeholders to provide updates and solicit feedback on tariff design and
17 implementation.

18 7. On April 1, 2021, APS filed the project status report mentioned in Finding of Fact
19 No. 3, above, (“DDSR Aggregation Tariff Progress Report”) and a survey of DDSR-related tariffs
20 and customer programs in other states.

21 8. The DDSR Aggregation Tariff Progress Report provided details on the research APS
22 completed to date, as well as details on issues and considerations the Electric Power Research
23 Institute (“EPRI”) found regarding the complexity of properly valuing and compensating operational
24 characteristics of DDSRs, nationally.

25 9. The DDSR Aggregation Tariff Progress Report also highlighted initiatives APS is
26 planning to propose to inform the tariff’s design, including the addition of a performance payment
27 option to APS’s Residential Energy Storage Pilot and the issuance of the RFP, as mentioned in
28 Finding of Fact No. 3, above.

1 10. The DDSR Aggregation Tariff Progress Report also summarized next steps in the
2 development and design of the tariff, including but not limited to the following:

- 3 • Continuing to hold regular stakeholder meetings throughout the tariff design
4 process to provide updates on program activity, answer questions and receive
5 input;
- 6 • Working collaboratively with Lawrence Berkeley National Laboratory
7 (“LBNL”) as needed to help provide data and coordinate with its tariff
8 analysis work on behalf of the Commission; and
- 9 • Providing regular updates to the Commission on progress toward valuing the
10 six defined operating characteristics and filing a tariff.

11 11. On page 1 of APS’s DDSR Aggregation Tariff Progress Report, APS stated that it
12 has “developed a tariff design and assessment framework.”

13 12. On page 1 of APS’s DDSR Aggregation Tariff Progress Report, APS also stated:
14 “[T]he compensation mechanisms for many tariffs are designed to promote technology adoption and
15 not to account for valuation of grid benefits, particularly for locational and ancillary services.”

16 13. On April 7, 2021, Chairwoman Lea Márquez Peterson consulted with LBNL
17 regarding APS’s application and developed a proposed timeline and process to achieve a Spring
18 2022 effective date and Summer 2022 participation in the tariff (“Proposed Timeline and Process”).

19 14. On April 9, 2021, the Chairwoman filed an amendment to Staff’s proposed order,
20 proposing the Proposed Timeline and Process, which proposes a four-and-a-half-month extension
21 of time, from May 1, 2021, until September 15, 2021, for APS to file a proposed DDSR Aggregation
22 Tariff, with the intent to achieve an effective date for the tariff in Spring 2022, so participants may
23 enroll in and perform according to the tariff by Summer 2022. The Proposed Timeline and Process
24 also establishes additional deadlines and requirements for the RFP and for APS and Staff, including
25 but not limited to a requirement that Staff, with the assistance of LBNL, review the RFP before it is
26 issued and host additional workshops for the benefit of stakeholders, to receive feedback to help
27 inform Staff’s review, which are to commence while the RFP is pending.

28 . . .

1 15. On April 12, 2021, Commissioner Sandra Kennedy filed a letter and amendment to
2 Staff’s proposed order, proposing a five-month extension of time, from May 1, 2021, to October 1,
3 2021, explaining that “the original order to file the proposed tariff was issued on October 2, 2020,”
4 and that “[t]his gives APS and stakeholders a full year from the original Order 77762, rather than
5 the twenty-month extension APS is actually looking for.”

6 16. Also, on April 12, 2021, Commissioner Justin Olson filed a letter requesting LBNL
7 identify any cross subsidizations in the proposed tariffs and, if any are found, propose solutions to
8 eliminate the amount of the cross subsidy. Commissioner Jim O’Connor also filed an amendment
9 directing APS to file a cost-benefit analysis supporting the cost-effectiveness of its DDSR
10 Aggregation Tariff, when it makes its filing.

11 **Staff Recommendation**

12 17. Staff recommends that the deadline for APS to file its proposed DDSR Aggregation
13 Tariff be extended to May 1, 2022.

14 **Discussion**

15 18. We find that the tariff must be based on values and rate designs that are accurate,
16 based on data, not artificially adjusted to accomplish goals or objectives the Commission has not
17 expressly adopted, and consistent with the actual values eligible devices provide the grid, based on
18 the devices’ unique operating characteristics and APS’s unique system needs.

19 19. We find that a tariff that is “designed to promote technology adoption and not to
20 account for valuation of grid benefits” would be contrary to the requirements of Decision Nos. 77762
21 and 77855.

22 20. We find that it is important to clarify that, while Decision No. 77855 does not
23 preclude APS from proposing additional amounts to compensate participants for promoting the
24 adoption of technologies, such compensation, if any, must be calculated and listed as a separate and
25 disaggregated figure, so Staff can evaluate and make an informed recommendation on the amount
26 and the Commission can make an informed decision on whether to amend, reject, or adopt it.

27 21. We find that the RFP described in APS’s DDSR Aggregation Tariff Progress Report
28 represents a key element of tariff development and is necessary because it will inform the valuation

1 methodology used for the final tariff and potentially address any concerns regarding misalignment
2 between the requirements of Decision No. 77855 and the tariff APS ultimately proposes. As the
3 Proposed Timeline and Process filed on April 9, 2021, and the letter from Commissioner Sandra
4 Kennedy filed on April 12, 2021, propose, the RFP should be reviewed and commented on by
5 stakeholders before it is issued. Accordingly, we believe the requirement in the Proposed Timeline
6 and Tariff that Staff should review APS’s draft RFP with the assistance of LBNL before it is issued
7 should be adopted as modified in “Attachment A,” to ensure the draft RFP is open, transparent, and
8 informed by stakeholder input.

9 22. Thus, we believe a 12-month extension of time, from May 1, 2021, to May 1, 2022,
10 as well as the timeline, process, and additional requirements specified in “Attachment A,” balances
11 both (1) the need to (a) give stakeholders sufficient time to review APS’s draft RFP and meaningfully
12 engage in the Commission’s processes and (b) give APS sufficient time to review, incorporate, and
13 develop bidders’ responses into its proposed tariff, with (2) the need to ensure (a) progress toward
14 the development of the tariff in a timely manner and (b) that an initial filing will be made in time for
15 Staff, LBNL, and the Commission to review it and ensure the tariff is in effect with sufficient time
16 for aggregators to recruit eligible customers to participate in spring 2023, assuming a majority of the
17 Commission approves the tariff.

18 23. Accordingly, we believe the timeline, process, and additional requirements outlined
19 in Attachment A are reasonable and in the public interest and should be adopted. Therefore, the
20 deadline for APS to file the proposed tariff required by Decision No. 77855 should be extended to
21 May 1, 2022, as set forth in Attachment A.

22 24. This Commission recognizes the value in APS offering a DDSR Aggregation Tariff.
23 At the same time, this Commission also recognizes the importance in offering cost-effective
24 programs to ratepayers. The Commission requires APS to support the cost-effectiveness of the
25 DDSR Aggregation Tariff through a cost-benefit analysis, at the time of filing the DDSR
26 Aggregation Tariff.

27 ...

28 ...

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

IT IS FURTHER ORDERED that Arizona Public Service Company shall file a cost-benefit analysis supporting the cost-effectiveness of the distributed demand-side resource aggregation tariff when filing its distributed demand-side resource aggregation tariff no later than May 1, 2022.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

Lea Marquez Peterson

CHAIRWOMAN MÁRQUEZ PETERSON

Joseph W. Kennedy

COMMISSIONER KENNEDY

Justin Olson

COMMISSIONER OLSON

Anna Tovar

COMMISSIONER TOVAR

James P. O'Connor

COMMISSIONER O'CONNOR



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 28 day of July, 2021.

myl

MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EOA:BEK:tb/MAS

1 Arizona Public Service Company
2 Docket No. E-01345A-19-0148

3 Melissa Krueger
4 Pinnacle West Capital Corporation
5 400 North 5th Street, Mail Stop 8695
6 Phoenix, Arizona 85004

7 Robin Mitchell
8 Director and Chief Counsel, Legal Division
9 Arizona Corporation Commission
10 1200 West Washington Street
11 Phoenix, Arizona 85007
12 legaldiv@azcc.gov
13 utildivservicebyemail@azcc.gov
14 **Consented to Service by Email**

15
16
17
18
19
20
21
22
23
24
25
26
27
28

Attachment A

Timeline, Process, and Additional Requirements to Achieve a May 1, 2022 Filing Date, Winter 2022 Effective Date, and Spring 2023 Participation in the APS DDSR Aggregation Tariff

- **May 2021 –**
 - APS prepares a draft all-DDSR request for proposals (“RFP”).
 - APS shall file a copy of the draft all-DDSR RFP in the docket by May 20, 2021.
 - Stakeholders may file comments on the draft all-DDSR RFP in the docket.
- **June 2021 –**
 - Commission’s Utilities Division (“Staff”), with the assistance of Lawrence Berkeley National Lab (“LBNL”), will review APS’s draft all-DDSR RFP to ensure it meets all the following criteria:
 - Open;
 - Transparent;
 - Fair;
 - Reasonable;
 - Flexible;
 - Reflects a competitive process;
 - Reflects a truly “all-source” DDSR RFP;
 - Informed by stakeholder input;
 - Allows bidders to make multiple offers; and
 - Designed to meet utility-system specific needs, including each the following:
 - An equal number of megawatts to the number of megawatts required in Distributed Energy Storage requirement in pending the Energy Rules (Decision No. 77829, proposed R14-2-2704(B)(3));

- An equal amount of megawatts provided by DDSRs to the amount of megawatts required in the DDSR capacity/35% peak demand reduction requirement in the pending Energy Rules (Decision No. 77829, proposed R14-2-2704(B)(2));
 - An equal amount of megawatts provided by DDSRs to the amount of megawatts proposed in APS's 2020 IRP "bridge" portfolio;
 - An equal amount of megawatts provided by DDSRs to the amount of megawatts proposed in APS's 2020 IRP "shift" portfolio;
 - An equal amount of megawatts provided by DDSRs to the amount of megawatts proposed in APS's 2020 IRP "accelerate" portfolio; and
 - An equal amount of megawatts provided by DDSRs to the amount of megawatts of capacity shortfall forecasted for APS's 2023 summer peak.
- Staff, with the assistance of LBNL, will determine and inform APS whether APS needs to make any changes to the draft all-DDSR RFP before APS issues the all-DDSR RFP.
 - APS issues the final all-DDSR RFP by June 30, 2021, and files a copy in the docket.
 - The all-DDSR RFP includes a notice and a disclaimer that Staff will be able to review and evaluate all responses to the all-DDSR RFP.
- **October 2021 –**
 - APS shall file a progress report in the docket by October 15, 2021, stating general information regarding the outcome of the all-DDSR RFP, including but not limited to the number of bidders, the number of bids, the types of DDSRs, the capacity amounts, etc.
 - APS analyzes the bids.
- **December 2021 –**
 - Meanwhile, Staff, with the assistance of LBNL, will host one or more stakeholder workshops, beginning in December and continuing in subsequent months, to help Staff determine, at a minimum, the following:

- How Staff should evaluate and make recommendations on the overall policy objective(s) or “pillars” of the DDSR aggregation tariff;
 - How Staff should evaluate and make recommendations on rate design and tariff structure, including the creation of new customer classifications or the use of multiple tariffs or rate riders;
 - How Staff should evaluate and make recommendations on operating characteristics, how to prioritize operating characteristics, and which additional operating characteristics to include;
 - How Staff should evaluate and make recommendations on valuation, the value of each operating characteristic, and the amount of compensation that should be afforded for each operating characteristic; ✓
 - How Staff should evaluate and make recommendations on the conditions of the tariff, such as customer eligibility criteria, enrollment period, protocols for participation, enrollment cap in megawatts, the maximum number of participants, how the tariff facilitates participation by multiple aggregators, and other terms and conditions;
 - How Staff should evaluate and make recommendations on the potential impacts to non-participants, including costs and benefits;
 - How Staff should evaluate and make recommendations on measures of success for the tariff, including estimating likely participation and responses and how performance will be measured and verified; and
 - How Staff should evaluate and make recommendations on potential cost recovery mechanisms, cost allocation, and any cross subsidization.
- **February 2022 –**
 - Staff, based on its stakeholder workshops, and with the assistance of LBNL, develops and files a memorandum in the docket stating the criteria or rubric by which it plans to evaluate and make recommendations on each of the issues listed under “December 2021,” once APS makes its tariff filing.
 - Stakeholders may file comments on Staff’s memorandum and planned evaluation criteria in the docket.

- The Commission may place Staff's memorandum and planned evaluation criteria on the agenda for Commission consideration and vote during a Regular or Special Open Meeting, if there are substantial concerns or objections to Staff's memorandum and planned evaluation criteria.
- **April 2022 –**
 - APS prepares to file its proposed DDSR aggregation tariff.
- **May 2022 –**
 - APS shall file a proposed DDSR aggregation tariff, as required by Decision Nos. 77762 and 77855, by May 1, 2022.
 - In conjunction with APS's May 1 filing, APS shall file a report summarizing the responses received to the all-DDSR RFP and providing an analysis of APS's findings, including the bids that APS selected and did not select, and all data and analyses associated with the reasons APS did or did not select each bid.
 - In conjunction with APS's May 1 filing, APS shall provide copies of all responses to the all-DDSR RFP, including prices, to Staff.
 - APS's filing must contain sufficient information and analysis for Staff to assess the filing against Staff's planned evaluation criteria.
 - Staff, with the assistance of LBNL, will review APS's filing.
 - Staff will review each response to the all-DDSR RFP.
 - Meanwhile, LBNL will conduct an independent modeling analysis of APS's proposed rates and rate design and estimate the bill impacts of the proposed tariff for eligible customers and the load impacts for eligible customers and the utility system. LBNL may run models for any alternative rate designs or values LBNL deems reasonable and necessary to perform an independent analysis. LBNL will provide its models and findings to Staff in a memorandum, which Staff will utilize and consider when drafting and preparing a memorandum and proposed order for the Commission's consideration and vote regarding APS's proposed DDSR aggregation tariff. LBNL's report will not contain or make any recommendations. LBNL anticipates that it will complete its analysis and provide a memo to Staff with its findings and results within 60 days of the tariff filing. APS shall provide LBNL with the data and information it needs to conduct such analysis, under a non-disclosure agreement if necessary.

- Staff will utilize its planned evaluation criteria when evaluating and making recommendations on APS's proposed DDSR aggregation tariff.
- **July 2022 –**
 - Staff, with the assistance of LBNL, hosts one or more stakeholder workshops in July regarding APS's filing and Staff's initial review of the filing.
 - LBNL provides Staff its memo on modeling results. Staff files a copy in the docket.
 - LBNL presents its findings and memo to the Commission and stakeholders in a public workshop.
 - Staff reviews LBNL's memo and utilizes its findings, and Staff's planned evaluation criteria, when reviewing and making recommendations on APS's proposed DDSR aggregation tariff.
 - Staff drafts and prepares a memorandum and proposed order.
- **August 2022 –**
 - Staff files its memorandum and proposed order by August 31, 2022.
 - Stakeholders may file comments and exceptions to Staff's memorandum and proposed order in the docket.
 - The Commission can consider any comments or exceptions to Staff's memorandum and proposed order, with the facilitation of Staff and LBNL and the input of stakeholder groups and APS.
- **September 2022 –**
 - The Commission considers but does not vote on the proposed order during the Regular Open Meeting in September.
 - The Commission can consider any comments regarding the proposed order or amendments as necessary, with the facilitation of Staff and LBNL and the input of stakeholder groups and APS.
- **October 2022 –**
 - The Commission votes to adopt or amend the proposed order at the Regular Open Meeting in October.

- The Commission can revise and refine the tariff as necessary, with the facilitation of Staff and LBNL and the input of stakeholder groups and APS.
- If APS's tariff, as proposed by APS or modified by the Commission, is approved, the Commission issues a decision in the docket, adopting an effective date for the tariff of November 1, 2022.
- **Winter 2022 –**
 - Effective date of the tariff is November 1, 2022.
 - Eligible participants enroll.
- **Spring 2023 –**
 - Participants perform according to the tariff.
- **October 2023 –**
 - APS files an initial evaluation report by October 31, 2023, describing participating customer and aggregator performance under the tariff during spring 2023, with measured and verified utility system impacts, including energy and capacity savings and other metrics indicating performance for all of the operating characteristics valued in the tariff.